

CITY OF MILPITAS

CITY COUNCIL UTILITY RATE SUBCOMMITTEE

Tuesday, January 23, 2007

MEETING MINUTES

City Hall, 1st Floor Committee Room

- II. Mayor Esteves called the meeting to order at 6:30 pm.
- III. Attendees: Mayor Jose Esteves, Vice Mayor Robert Livengood, Tom Williams, Emma Karlen, Greg Armendariz, Marilyn Nickel and one member of the public.
- IV. Announcements – There were no announcements.
- V. Agenda was approved.
- VI. Minutes from September 26, 2006, were approved.
- VII. Citizens Forum – No one spoke.
- VIII. **Water Service Outside Urban Growth Boundary**
 - a. Public Works Director Armendariz gave a powerpoint presentation with the following key points:
 - 1. City services are prohibited outside the Urban Growth Boundary and city limits unless Council finds an urgent health or safety concern exists.
 - 2. Applicant is willing to pay proportionate share of operating and capital costs for connection and submitted information regarding building permit, insufficient water quality, and economics of alternate supply.
 - 3. LAFCO approval is necessary and Council is required to approve submittal of application
 - b. Staff recommendations:
 - 1. Obtain conceptual approval that substantial evidence has been provided.
 - 2. Agendize for February 6 Council
 - 3. Agendize for April 11 LAFCO meeting
 - c. Key discussion points:
 - 1. Need information from City Attorney on whether approval for this customer sets a precedent for other customers outside the city limits?
 - 2. Need information about the contaminants and the cost to treat the water.
 - d. Subcommittee recommendation: Research and bring back for further discussion.
- IX. **Backflow Program**
 - a. Mr. Armendariz presented a powerpoint identifying the following key points:

1. Backflow refers to return of water flow from customer to city water pipes.
 2. City, as a water retailer, is mandated to enforce backflow requirements.
 3. Milpitas has 1700 backflow prevention devices that require annual testing.
 4. Some customers are not performing the testing, or the test results are questionable.
 5. Propose city staff to perform all testing to insure compliance, test accuracy, and staff efficiency.
 6. Fee to include costs for repairs and replacement.
- b. Staff recommendations:
1. Obtain conceptual approval.
 2. Develop a fee schedule and billing process.
 3. Request an additional Maintenance Worker.
 4. Adopt rate ordinance in June.
- c. Key discussion points:
1. Alameda County Water District, Santa Clara, and Mountain View perform in-house testing.
 2. Staff estimates 230 days to complete annual testing (1 FTE).
 3. Alternative is to implement fines for customers failing to test.
 4. Need to compare cost to customer for private testers versus city testers.
Switching to a more expensive process would penalize the customers who are in compliance.
 5. May be difficult to get business's permission to come on site and test or repair their device.
 6. Requested "sewer backflow devices" as a future agenda item.
- d. Subcommittee recommendations: Research and bring back for further discussion.

X. Residential Billing Codes

- a. Public Works Director Armendariz presented a powerpoint identifying the following key points:

1. Residential water and sewer customers are assigned to various categories:

Water		Sewer (bimonthly)	
Single Family	tiered rates	Single Family	\$59.70
Duplex	tiered rates	Multi-Family	\$43.14
Condo/Townhouse	tiered rates		
Multi-Family	tiered rates		
Mobile Home Park	tiered rates	Mobile Home Park	\$26.88

2. Distinctions between single family, condo, and townhouse have blurred over the years.

3. Staff proposes to revise water categories as follows:

Proposed water categories	Description
Single Family	one dwelling unit per meter
Multi-Family	two or more dwelling units
Mobile Home Park	mobile home park

4. This would cause about 1173 customers to be reclassified from duplex or condo/townhouse to single family, which results in an increase of \$16.56 bimonthly for sewer charges.

- b. Staff recommendations:

1. Obtain conceptual approval to establish the definitions.
2. Direct staff to implement the change to existing customers.

- c. Key discussion points:

1. The customers who are unhappy about their current rates will be joined by 1173 customers who will be unhappy about their increased rates.
2. Not interested in raising the rates, cannot justify the 37% increase, or answer the question "why".
3. Can this be applied to new developments only?
4. A definition could be established in the zoning code.
5. Need to build a stronger case.
6. Staff to track complaints and provide updates.

- d. Subcommittee recommendations: Research and bring back for further discussion.

XI. Existing Excess Sewer Treatment Capacity Status

- a. Mr. Armendariz gave a powerpoint presentation with the following key points:
1. City has 13.5 million gallons per day (mgd) capacity.
 2. Sewer Master Plan requires 13.0 mgd sewer capacity.
 3. Planning has received several inquiries for zoning changes requiring an additional capacity of 0.47 mgd.
 4. State law requires priority be given to affordable housing projects.
- b. Staff recommendations:
1. Continue working to develop strategies to avoid any issues with sewer capacity.
- c. Key discussion points:
1. Staff is working on two facets - one is a possible lease with the City of San Jose and the other is described in the next item.

- d. Subcommittee recommendation: Note receipt and file.

XII. Proposed Cupertino Sewer Treatment Capacity Purchase Status

- a. Mr. Armendariz gave a powerpoint presentation with the following key points:
 - 1. City needs additional sewer treatment capacity for the Transit Area Specific Plan (1.04 mgd plus biochemical oxygen demand, suspended solids, and ammonia).
 - 2. A consultant study for the Cupertino Sanitation District (CuSD) has determined excess flow capacity ranging from 1.04-1.22 mgd with suspended solids and ammonia is available. There is no excess biochemical oxygen demand capacity available.
 - 3. Staff anticipates that the CuSD Board could declare excess capacity at their February 7 meeting and the Milpitas City Council could declare an intent to purchase at their February 20 meeting.
- b. Staff recommendations: Staff to continue discussions with other agencies to purchase/lease additional capacity.
- c. Key discussion points:
 - 1. This item could be scheduled for March San Jose/Santa Clara Water Pollution Control Plant Treatment Plant Advisory Committee.
 - 2. How much more capacity does the City need? This is dependent upon the zoning amendments.
 - 3. Could use proposed Cupertino capacity purchase to meet zoning amendments and the proposed San Jose lease to meet the Transit Area Specific Plan needs.
 - 4. Master Plan requirements of 13.0 mgd capacity include Midtown but not the Transit Area Specific Plan.
- d. Subcommittee recommendations: Directed staff to proceed with next steps to acquire additional capacity.

XIII. Utility Rate Status

- a. Mr. Armendariz gave a power point with the following key points:
 - 1. Prop 218 study is underway.
 - 2. Preliminary SFPUC wholesale rates may be available in March.
 - 3. SCVWD reviewing 6 scenarios ranging from 7.5% to 23.4% with a public hearing scheduled for April 10.
 - 4. Preliminary WPCP sewer operations rates may be available in mid-February.
 - 5. Preliminary WPCP capital cost info indicates substantial increases, more data may be available in mid-February.
 - 6. Staff to perform 5 year analysis.
 - 7. Proposed schedule for utility rate adoption includes a Utility Rate Subcommittee meeting approx February 27 to review draft analysis and select rate, public hearing on April 3, mail Prop 218 letters April 4-13, conduct protest hearing on June 5 and adopt rates.
 - 8. Enterprise fund balances are estimated as follows:

Fund	Balance as of 6/30/06	Estimated Balance as of 6/30/07
Solid Waste	\$682,782	\$792,333
Solid Waste Reduction	\$349,122	\$375,342
Storm Drain Operations	na	na
Storm Drain Fees	\$24,682	\$564,200
Water Operations	\$4,331,346	\$4,932,421
Water Line Extension	\$853,024	\$1,678,615
Water Infrastructure	na	na
Recycled Water	\$2,064,264	\$2,447,755
Sewer Fund	\$5,000,596	\$6,203,165
Treatment Plant Construction	\$709,371	\$5,336,750
Sewer Infrastructure	\$5,598,078	\$5,336,750

b. Staff recommendations:

1. Set next Utility Rate Subcommittee for approximately February 27.
2. Conceptually approve the rate setting schedule.

c. Key discussion points:

1. April 2003 Financial Master Plan, which can be used as a benchmark, anticipates a need for 7.8% and 9.0% rate increases for water and sewer, respectively.
2. The Proposition 218 rate study, which is currently underway, will discuss options regarding changes to tiers and hardship.

d. Subcommittee recommendation: OK

XIV. **Other Business** – There was none.

XV. **Adjournment** –The meeting was adjourned at 7:37 pm.